INFORMATION TECHNOLOGY MANAGEMENT STUDY SUBCOMMITTEE

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December 7, 1999

To: INFORMATION TECHNOLOGY MANAGEMENT STUDY SUBCOMMITTEE

From: Pam Joehler, Senior Fiscal Analyst
         Greg DeWitt, Senior Fiscal Analyst

RE: IT Budget Information Requirements Proposal

HB 2 requires the Information Technology (IT) Management Study Subcommittee (a subcommittee of the Legislative Finance Committee) to recommend to the Office of Budget and Program Planning (OBPP) what IT-related budget information should be presented to the legislature and how that information should be presented. HB 2 then directs the OBPP to present this information to the legislature in the form recommended by the Legislative Finance Committee.

At the October 1999 meeting, the subcommittee directed Legislative Fiscal Division (LFD) staff to develop a proposal for IT budget information requirements for the 2003 biennium. Furthermore, the subcommittee directed staff to seek the input of the OBPP and the Department of Administration, Information Services Division (DOA/ISD) when developing the proposal.
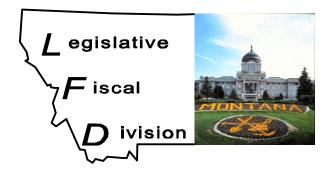
The attached report presents the proposed content and format of the IT budget information as required by HB 2. LFD staff developed the proposal and then requested the input of the OBPP and DOA/ISD. Both the OBPP and DOA/ISD agreed in concept to the proposal outlined in the attached report. Areas where the LFD and the OBPP do not concur are identified in the proposal or will be identified during the presentation of this report.

Other executive branch agencies and the judicial branch were not part of the proposal development process. These agencies were provided a copy of the subcommittee agenda for the December 1999 meeting and may want an opportunity to comment on the proposal. Time has been set aside on the agenda for this purpose.

IT BUDGET INFORMATION REQUIREMENTS
INFORMATION TECHNOLOGY MANAGEMENT STUDY RECOMMENDATIONS

Prepared for the

Legislative Finance Committee

by

Pam Joehler, Senior Fiscal Analyst and
Greg DeWitt, Senior Fiscal Analyst
December 9, 1999

IT BUDGET INFORMATION REQUIREMENTS INFORMATION TECHNOLOGY MANAGEMENT STUDY RECOMMENDATIONS

A.   Introduction

HB 2 requires Information Technology (IT) budget information be presented in a manner that allows the legislature to make policy decisions regarding IT assets and to evaluate the fiscal impacts of those decisions. In order to accomplish this, IT costs must be isolated and the legislature must understand the state's current IT investment and the policies (inherent and otherwise) driving the investments.

This document contains a proposal for information requirements and a process that is designed to address the needs of the legislature and satisfy the requirements of HB 2 passed by the 56th Legislature.

B.   Proposal Summary

Statewide Information Technology Plan

The Legislative Fiscal Division proposes the Executive Branch develop a Statewide IT Plan that includes:
1) Basic principles that guide the development of IT as a state resource;
2) Statewide goals for developing IT as a state resource;
3) Strategies employed to maximize the benefits of using IT to conduct state business; and
4) Enterprise policies that apply to all entities using the state IT networks.

This plan, along with other information summarized below, will be included with the Executive Budget presented to the 2001 legislature

Agency IT Planning and Budget Information

It is further proposed that each state agency (as defined in Section17-7-102, MCA) submit the following IT planning information during the first stages of budget development and be included in the documentation supporting the Executive Budget:
1) Description of the agency's major activities and customer groups served by the activities;
2) Description of the agency's IT strategies used to accomplish these activities;
3) Description of the agency's current investment in IT resources;
4) Descriptions of any initiatives through which IT resources are being used in a cooperative fashion with other government entities to reduce duplication of similar IT resources; and
5) Descriptions of the agency's proposed IT-related budget requests for the 2003 biennium.

IT Report to the Legislature

Finally, it is proposed that the Executive Branch prepare an IT report for the legislature that includes:

1) A summary of the Statewide IT Plan
2) Summary Budget information required by HB 2:
   → Unified Computer Budget Summary
      a) Base year actual expenditures recorded for the IT expenditure objects in all state entities (See Table A)
      b) 2003 biennium budget summary by agency and program for all agencies with appropriations and proprietary rates approved by the legislature in the general appropriations act (See Table B)
   → Agency reports
      a) Agency IT budget summary tables that are presented in a format similar to the Budget Book presentation with parameters of first level categories and funding for "IT Significant"♦ present law adjustments and new proposals, with fiscal year and biennium totals (see Table C1);
      b) Agency IT decision package detail tables that list all "IT Significant" decision packages by program and funding by fiscal year (See Table C2);
      c) Agency narratives that summarize significant agency IT-related present law adjustments and new proposals; and
      d) Narratives for all present law adjustments and new proposals containing IT-related expenditures with the IT cost specifically identified and justified.
3) Other information with statewide significance
   → Statewide significant recommendations (e.g. GIS, SABHRS, etc.) with funding
   → Rate information for the proprietary IT services offered by any state agency (whose rates are approved by the legislature and cross agency boundaries) and described in terms familiar to the budget building process (the rates would be shown as "base" rate (fiscal 2000), plus present law adjustment and new proposal impacts on the rate, and the total rate for each fiscal year of the biennium) (See Table D)
   → Appendix of already existing statewide offerings (i.e. GIS, MT PRRIME, SummitNet, One-Stop Business Licensing, imaging, network security, etc.) and how they were paid for; and
   → Appendices of various inventories by agency (hardware, software, infrastructure, major systems), proprietary fund tables, and IT-related fixed cost allocation tables.

C.   Proposal Details

This section presents the detail of the process and information requirements contained in this proposal.

♦ OBPP to define the term "IT significant". Not yet defined

Process	Information Requirement
1. The Executive Planning Process (EPP) instructions are sent by OBPP and include the following notice to state agencies: • *Department of Administration (DOA) Information Services Division (ISD) to prepare statewide IT plan and compile IT inventory survey forms;* • *State agencies to summarize their current IT strategies and IT resources;* • *State agencies to describe IT-related new proposals and IT-related present law adjustments.* **(*January 2000*)**	A. Agency Information Technology (IT) Planning and Budget Information requirements (content and format) – *see Information Requirements under #2.* B. IT definitions (See Attachment 1 for IT expenditure objects and Attachment 2 for IT job codes) C. Forms
2. Agencies prepare and submit agency IT planning and budget information to OBPP in accordance with required substance and format instructions • *This will be included with the EPP submissions* • *DOA/ISD will use some of the information to prepare the Statewide IT Plan* **(*April 2000*)**	**Agency IT Planning and Budget Information Requirements** A. **Executive Summary --** A brief summary of the agency's IT planning information, including any new proposals in priority order for the agency. B. **Agency IT planning information -**- Agencies provide the following information for use in developing the statewide IT plan: • Describe the major business activities the agency performs (why the agency exists). The description should list all groups of customers that each activity serves. • Describe the agency's strategies for using information technology (IT) to accomplish these activities (How does the agency use or plan to use IT to accomplish the activities critical to serving its customers?). • Describe the agency's current investment in IT. The description should address the following: 1) number of FTE in IT positions and how the FTE are being utilized (see IT job codes in Attachment 2); 2) information sharing computer networks used by the agency (in operation or under development) and the approach the agency takes to provide operational support and

maintenance for the networks (i.e. local area network sized for 200 end users that is maintained by agency FTE [or a private contractor or a contract with Information Services Division]);

3) computerized management systems (in operation or under development) that the agency uses to accomplish these activities. The description should include: a) the purpose for the system; b) the rational for developing this system verses using a statewide system (i.e. SABHRS); c) mandates for using the system; and d) system operating platform;

4) the agency's current replacement cycle(s), where different than the state standard, for end user personal computers and other computer infrastructure;

5) any limitations or obsolescence of the agency's networks or operating systems that impact the agency's ability to effectively accomplish the activities of the agency.

- Describe any IT related initiatives that are currently being accomplished through shared resources between other government entities (other than via an enterprise system).
- Describe the agency's proposed IT-related new proposals for the 2003 biennium specifically explaining how they related to the agency's current business activities, IT strategies, and current IT investment.

C. Budget Requirements for IT-Related Decision Packages (New Proposals and Present Law Adjustments)

General Guidelines: Decision packages should be inclusive of all costs for a discrete function (treated the same way it would have been treated had legislative concern with IT costs not existed). When a decision package includes identified IT expenditures (listed on Attachment 1) the decision package should first be justified in its entirety but additional narrative should be included to address the specific requirements for IT unified budget submission. All justifications for IT expenditures must be described in a non-technical style.

Except as noted, for all decision packages containing IT expenditures the justification should include narrative that addresses the following for the IT resources:
- Description of what will be accomplished
- Impacts if the budget request is not approved;
- Intra- and inter-agency benefits;

For all decision packages deemed by OBPP to be "Significant IT" (*not yet defined)* decision packages:
- Reference to the IT strategies the proposal implements;

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	• <u>For new proposals only</u>, list of the targeted customer groups and a description of how the IT resources will benefit the customers being served; • Rationale for not using an existing state IT resource; • Estimated additional annual costs to operate and maintain the IT resources, including anticipated costs of planned upgrades (software or hardware) needed to maintain the system current with technology standards (if no additional costs are anticipated, explain how this will be accomplished); • Impacts on current IT resources; • Cost/benefit analysis (life-cycle costs); • Project schedule and project management/oversight description; • Technical overview (project requirements and complexity, functional description of major deliverables, hardware/software/network resources, data and data relationships, project development approach [internal vs. external personal resources] and methodology, and risk assessment and risk management); • Testing, validation, and user acceptance procedures; and • End user training and manuals.
3. *DOA/ISD submits inventory forms and statewide IT plan* *(May 2000)*	**A. Inventory** -- ISD requests agency cooperation in compilation of certain inventory items. ISD reviews, audits, and then edits the inventories to accurately reflect the state's assets and infrastructure. OBPP and ISD will determine the final inventory presentation **B. Statewide IT Plan** -- The statewide IT plan is to include, at a minimum: • Basic principles that guide the development of IT within state government; • Goals for developing IT as a state resource; • Strategies employed to maximize the benefits of using IT to conduct state business; and • Enterprise policies that apply to all entities using the state IT networks.
4. *OBPP (with technical assistance from ISD) reviews and approves agency IT plans and EPP requests* *(August 2000)*	**Comment** OBPP, with technical assistance from ISD, will review and approve agencies' IT Plans as part of the EPP review and approval process.

5. Budget instructions are sent by OBPP to state agencies *(August 2000)*	**See "Budget Requirements for IT-Related Decision Packages" under step #2C**
6. Agencies submit budget request, which will include all costs with IT costs *(September 2000)*	**A. Budget request decisions package requirements – see "Budget Requirements for IT-Related Decision Packages" under step #2C** **B. OBPP will compile the impact of all other program IT-related present law adjustments and new proposals in the agreed upon expenditure accounts.**
*7. Executive Branch prepares the **State IT Repor**t, which includes the "unified computer budget summary."* *(November 15, 2000)* ***Amendments by Governor-elect (December 15, 2000)***	**State IT Report Requirements** **A. Statewide IT Plan** [Summary of the Statewide IT Plan to be included in the State IT Report](prepared by OBPP and ISD) **B. Statewide Total: Unified Computer Budget Summary –** captured from sums of agencies using the format as shown on Tables A and B (attached) **C. Significant Statewide Recommendations, with funding** **D. Agency/Program presentation,** as shown on Tables C1 and C2 (attached) **E. Rate information for proprietary funds –** for IT services offered by any state agency whose rates are approved by the legislature and cross agency boundaries, as shown on Table D (attached) **F. Appendices of various inventories, proprietary fund tables, and IT-related fixed cost allocation tables**

D.   Issue

Montana's budgeting and accounting statutes are complicated. Some fund types are clearly subject to appropriation made by law; some fund types are clearly exempt from appropriation made by law. And, other fund types aren't always so clear. But one thing is certain: IT-related expenditures are made from nearly all fund types.

As a result of Montana's current statutes and budgeting process, the legislature reviews only a portion of the funds used to finance state entities, including money spent on IT. The table below shows the appropriation requirements for the disbursement of various fund types from the state treasury. This specific statute does not address all fund types; for example, the higher education funds category is not addressed.

Fund Types and Appropriation Requirements Section 17-8-101, MCA		
Disbursement Requires Appropriation made by Law	**Disbursement Exempt from Appropriation made by Law requirement**	**Disbursement allowed by appropriation OR general law or contract**
• General Fund • Special Revenue Fund (except money from nonstate or nonfederal sources restricted by law or by the terms of an agreement, such as a contract or trust agreement) • Capital Projects Fund	• Pension Trust Fund	• Enterprise Fund type • Debt Service Fund type • Internal Service Fund type • Expendable Trust Fund type • Agency Fund type • State Special Revenue Fund type from nonstate and nonfederal sources restricted by law or by the terms of an agreement, such as a contract or trust agreement.

Another statute, Section 17-7-123(6)(b), MCA, notes that fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act.

This information is presented in this section not to propose any statutory change, but rather to demonstrate some of the complexities of state finance law. For purposes of the interim study, the subcommittee needs to identify:

1. The fund types to include in the "Unified Computer Budget Summary" requirement of House Bill 2, and

2. What state entities should provide the IT planning information proposed in Section C, Information Requirements 2B of this report?

Staff's recommendations regarding these issues are presented in the following section.

E.   Recommendations

Actual Information Technology Expenditures and Funding

Staff recommends that the Office of Budget and Program Planning collect actual, base year IT expenditure and funding information from all state entities, regardless of appropriation authority or requirements and present the information to the legislature as part of the Unified Computer Budget Summary report required in House Bill 2.

     ⊠ Subcommittee concurs
     ☐ Subcommittee does not concur

Budgeted Information Technology Expenditures and Funding

Staff recommends that the Budget Information Requirements contained in Section C, Information Requirements 2C of this report be applied to all entities and fund types contained in the general appropriations act or whose rates are approved by the legislature in the general appropriations act.

Those entities that are currently excluded from House Bill 2, such as the State Compensation Insurance Fund and the retirement systems, would not be required to submit the Budget Information Requirements proposed in Section C, Information Requirements 2C. However, under the first recommendation, actual IT expenditures in the base year would be "captured" for these entities and presented to the legislature.

     ⊠ Subcommittee concurs
     ☐ Subcommittee does not concur

Agency IT Planning Information

Staff recommends that every state entity that uses the state's data and information technology resources, central computer center, and/or statewide data network (as these terms are currently defined) be required to provide the Agency IT Planning information detailed in Section C, Information Requirements 2B.

The OBPP requested the subcommittee amend this recommendation to allow the OBPP to obtain additional information if deemed necessary and to allow sufficient flexibility in the presentation of the information to meet the needs of the OBPP and LFD.

This recommendation will provide the legislature, possibly for the first time, a comprehensive document discussing the development of information technology as a state resource.

       ☒ Subcommittee concurs with recommendation, as amended
       ☐ Subcommittee does not concur